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# REVENUE REVIEW

Quarterly  
Revenue Report  
for the  
State of  
Michigan

NOVEMBER 2002

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## TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 2000-01</u>	<u>4th Qtr FY 2001-02</u>	<u>4th Qtr % Change</u>	<u>YTD %</u>
\$5,277.6 million	\$5,346.7 million	1.3%	-2.0%

Revenue collections for fourth quarter (August–October) fiscal year (FY) 2001-02 were \$69.1 million or 1.3% higher than fourth quarter FY 2000-01 collections. This increase was an improvement from the 3.1% decline posted in the first three quarters of FY 2000-01. Revenue for FY 2001-02, without year-end accruals and adjustments, totaled \$19.5 billion—down \$391.2 million or 2.0% from FY 2000-01 revenue through October 2001.

## INCOME TAX (NET)

<u>4th Qtr FY 2000-01</u>	<u>4th Qtr FY 2001-02</u>	<u>4th Qtr % Change</u>	<u>YTD %</u>
\$1,716.9 million	\$1,693.0 million	-1.4%	-8.5%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for fourth quarter FY 2001-02 were \$23.9 million or 1.4% lower than fourth quarter FY 2000-01 collections. The fourth quarter weakness was an improvement from the 10.9% decline in the first three quarters. Withholding payments were down 0.6%, quarterly and annual payments decreased 15.1%, and refunds were down 21.4%. Net income tax collections for fiscal year-to-date (FYTD) totaled \$6.2 billion—down \$569.2 million or 8.5% from FY 2000-01 revenue through October 2001.

## SALES AND USE TAXES

<u>4th Qtr FY 2000-01</u>	<u>4th Qtr FY 2001-02</u>	<u>4th Qtr % Change</u>	<u>YTD %</u>
\$2,009.5 million	\$1,987.0 million	-1.1%	0.0%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and Use tax collections for fourth quarter FY 2001-02 were \$22.5 million or 1.1% lower than the year-ago quarter. Sales tax due to motor vehicle sales increased 3.0% while all other sales tax collections were down 0.1% in the fourth quarter FY 2001-02 relative to the year-ago fourth quarter. Sales and Use tax collections for FYTD totaled \$7.7 billion—down \$2.4 million from FY 2000-01 revenue through October 2001.

## SINGLE BUSINESS AND INSURANCE TAXES

<u>4th Qtr FY 2000-01</u>	<u>4th Qtr FY 2001-02</u>	<u>4th Qtr % Change</u>	<u>YTD %</u>
\$524.9 million	\$490.1 million	-6.6%	-3.3%

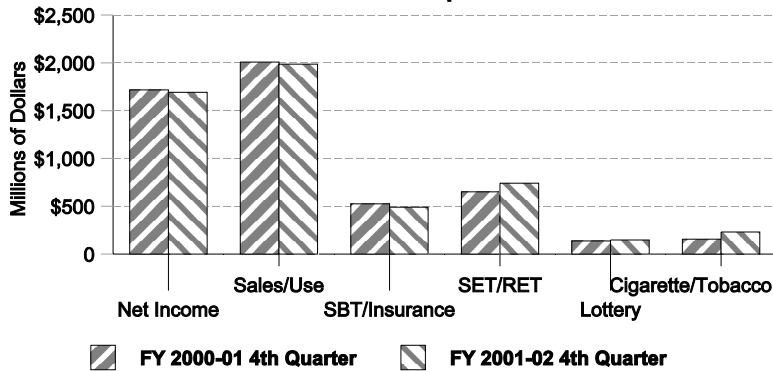
Single Business and Insurance taxes are applied to the value added of business activities. For fourth quarter FY 2001-02, Single Business and Insurance tax collections were \$34.8 million or 6.6% below the year-ago fourth quarter. Single Business and Insurance tax collections for FYTD totaled \$2.2 billion—down \$76.0 million or 3.3% from FY 2000-01 revenue through October 2001.

## OTHER REVENUE

<u>4th Qtr FY 2000-01</u>	<u>4th Qtr FY 2001-02</u>	<u>4th Qtr % Change</u>	<u>YTD %Change</u>
\$1,026.3 million	\$1,176.6 million	14.6%	8.0%

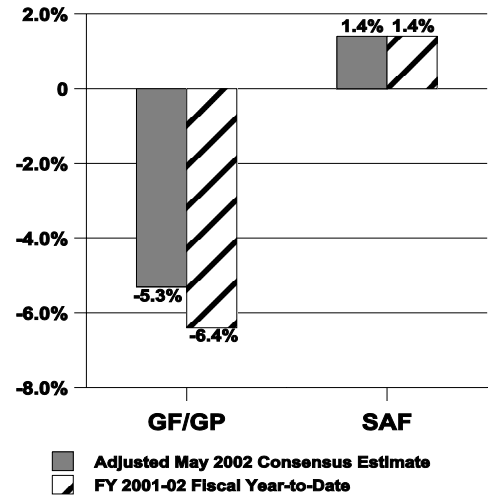
Other revenue—which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for fourth quarter FY 2001-02 was up \$150.3 million or 14.6% from the fourth quarter of FY 2000-01. Other revenue for FYTD totaled \$3.4 billion—up \$256.4 million or 8.0% from FY 2000-01 revenue through October 2001.

**State of Michigan Revenue  
4th Quarter Comparison**



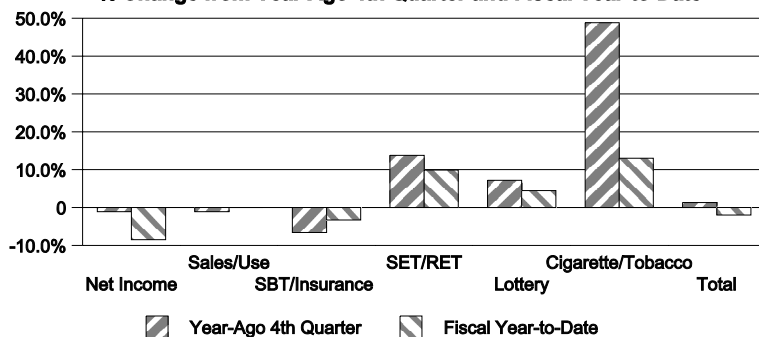
**Preliminary final revenues for  
FY 2001-02:  
GF/GP \$115 million lower than,  
and SAF consistent with,  
May consensus estimate.**

**FY 2001-02  
GF/GP and SAF Growth**



**HOUSE  
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**State of Michigan  
% Change from Year-Ago 4th Quarter and Fiscal Year-to-Date**



**Revenue Quarterly Review: 4th Quarter (August–October) FY 2001-02 (Millions of Dollars)**

Revenue	FY 2001-02	Change From	FY 2001-02	Change From Previous		FY 2001-02
	4th Qtr	Year-Ago 4th Qtr	Year-to-Date	Dollar	Percent	Adjusted* May Consensus Growth
Annual Income Tax	\$42.9	-14.5%	\$515.8	(\$177.5)	-25.6%	-26.6%
Quarterly Income Tax	161.6	-15.3%	635.1	(147.9)	-18.9%	-15.5%
Withholding	1,570.9	-0.6%	6,414.2	(189.1)	-2.9%	-1.3%
Subtotal	1,775.4	-2.5%	7,565.1	(514.5)	-6.4%	-4.9%
Income Tax Refunds	82.4	-21.4%	1,402.4	54.7	4.1%	6.7%
Net Income Tax	1,693.0	-1.4%	6,162.7	(569.2)	-8.5%	-7.1%
Sales Tax	1,666.3	0.4%	6,413.5	23.2	0.4%	2.3%
Use Tax	320.7	-8.5%	1,301.6	(25.6)	-1.9%	3.0%
Subtotal	1,987.0	-1.1%	7,715.1	(2.4)	0.0%	2.5%
Single Business Tax	444.4	-6.3%	1,991.5	(100.4)	-4.8%	-5.9%
Insurance Tax	45.7	-9.5%	214.1	24.4	12.9%	19.6%
Subtotal	490.1	-6.6%	2,205.6	(76.0)	-3.3%	-3.6%
Inheritance/Estate Tax	28.5	-37.8%	134.9	(26.7)	-16.5%	-18.3%
Cigarette/Tobacco Tax	230.9	48.8%	672.3	77.3	13.0%	8.5%
Lottery	147.6	7.2%	613.5	26.5	4.5%	3.1%
Industrial/CommFacility Taxes	28.4	-22.4%	141.7	9.2	7.0%	3.6%
Real Estate Transfer (RET) Tax	74.3	3.1%	253.9	(0.7)	-0.3%	-4.7%
State Education Tax (SET)	666.9	15.2%	1,627.1	170.8	11.7%	4.6%
Subtotal	1,176.6	14.6%	3,443.5	256.4	8.0%	3.2%
TOTAL	\$5,346.7	1.3%	\$19,526.8	(391.2)	-2.0%	-1.4%

NOTE: Consensus revenue figures reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.

\*May Consensus estimates are adjusted to include estimates of tax amnesty and tobacco tax increases.